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NSC BRIEFING

8 November 1954

CURRENT SITUATION IN HUNGARY

- I. Economic, political woes make Hungary weakest Satellite. "New course" failing; dissension in Party; open popular resentment.
 - A. Since "new course" start (July 53), industrial expansion plan cut from 16% to 1%.
 - B. Still, steel short 90,000 tons, coal 450,000 tons.
 - C. Means hard winter, no consumer goods increase.
 - D. 40% of peasants quit collectives this year -- farm program chaotic.
- II. Results:
 - A. Unemployment up - 200,000. *(Like 3 million)*
 - B. Inflationary pressures growing --
being met only by releasing inven-

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C. Could force currency reform; more disaffection, even riots.

III. Regime nonetheless plans push "new course" -- same time, whipping up "Nationalism."

A. Touting "Patriotic People's Front," deploring past "mechanical" application Soviet methods.

B. Free purged "national deviationists":

Kadar (former Politburo, Interior Minister) restored in October; Kallai (ex-Foreign Minister) reportedly released.

C. USSR returned all 5 joint companies 6 November (bauxite mines, aluminum, shipping, airline, oil).

IV. Dissension in Party:

A. Many in Party (possibly including

Sec'y Rakosi) think "new course"

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V. Increased popular opposition:

- A. Concessions have brought cries for more, also open criticism.
- B. However, resistance unorganized, passive--absenteeism, shoddy workmanship, withdrawal from collectives, resistance to quotas, etc.

VI. Neither Party woes nor popular opposition threaten Soviet domination.

- A. Party opposition doesn't wish overthrow Communist rule.
- B. Popular opposition cannot organize for overthrow, since --
 - 1. Former political parties gone, leaders executed or exiled.
 - 2. ~~Army,~~ security forces still reliable.
 - 3. 30,000 Soviet troops, three air divisions in Hungary.

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C. Prospects for uprising small,

attempt would fail.

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